

Stopanska Banka AD - Skopje

Rules of Procedure of the Board of Directors

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I. General Provisions

- (1) The Rules of Procedure shall govern the manner of operations of the Board of Directors of Stopanska Banka AD - Skopje (hereinafter: BoD; Stopanska Banka, SB and/or the Bank; and The Rules).
- (2) The scope of operations of the Board of Directors is determined in the Law on Banks, Central Bank's Decision on good corporate governance in banks and the Statute of SB.
- (3) The Board of Directors manages the Bank and is involved in the implementation of the business policy, the establishment and promotion of corporate culture and values, the determination of the acceptable level of risk, the establishment and implementation of the internal control system and in providing conditions for operations of the Bank in accordance with the regulations.
- (4) All members of the BoD are obliged to maintain secrecy on all confidential information that were presented and/or discussed on the Board of Directors meeting, or were acquired in any other way during exercising their capacities as executives of the Bank.
- (5) Each member of the Board of Directors is obliged to protect the interests of Stopanska Banka. Each member shall immediately disclose to the Chairman's Office any conflict of interest in accordance with the Policy for conflict of interest of senior management of SB, and should, insofar as possible, avoid any activities that could lead to conflict of interest or other incompatibilities with their mandates as members of the Board of Directors. If the objectivity of any member of the Board of Directors is questionable due to existence of a conflict of interest, he/she shall not attend the meeting whereas the concerned issue will be discussed and prior of the meeting shall make a written statement on the existence of the conflict of interest and submit to the Bank Secretary.
- (6) The Bank Secretary is responsible for servicing the needs of the Board of Directors. He/she reports directly to the Chief Executive Officer. In case there is no appointed Bank Secretary, the employees in the Chairman's Office appointed by the Chief Executive Officer are temporarily covering the responsibilities of this position.

II. Composition of the Board of Directors

- (1) The Board of Directors shall be constituted of persons who individually and collectively meet the criteria for a member of the Board of Directors of a bank.
- (2) Board of Directors consists of four members as determined in the Statute of SB. The members of the Board of Directors shall be equally responsible for all operations of the Bank.
- (3) The Chief Executive Officer is Chairman of the Board of Directors. He/she shall monitor and coordinate the operations of the Board of Directors.
- (4) The Supervisory Board appoints the members of the Board of Directors. Before each appointment of a new member, or re-appointment of existing one or in the event of significant changes in the Bank's business model, the Supervisory Board assesses the adequacy of the candidate for BoD member taking into consideration the provisions of the Central Bank Decision on good corporate governance for banks and the internal policies of Stopanska Banka.

III. Legal representation

- (1) Each of the members of the BoD is legal representative of SB and SB is at any time legally represented by two members of the BoD, out of which one mandatory should be the Chief Executive Officer/Chairman of the BoD. During his absence, he/she can delegate this right only to another member of the BoD.
- (2) Taking into account item 1 of this part, with authorization signed by the Chief Executive Officer and any other member of the BoD, the BoD may authorize other SB employees to represent SB for specific activities.

IV. Modus Operandi

4.1. Meetings

- (1) The Bank Secretary, on behalf of the Chairman of the Board of Directors, shall call the BoD meetings. The Board of Directors meeting may be called upon a request of any other member if the Chairman of the BoD agrees.
- (2) Board of Directors meetings shall be held at least once per month and as often as deemed necessary.

- (3) The Board of Directors shall operate and decide at meetings and by passing decision between meetings by written statement.
- (4) The material for the Board of Directors meeting shall be prepared and submitted to the Bank Secretary through the Senior Managers or relevant Division Managers in case a Senior Manager is not appointed.
- (5) The invitation and the materials for the meeting shall be submitted to the Board Members at least two calendar days before the date of the meeting, except in extraordinary cases when an issue needs urgent attention of the Board of Directors.
- (6) Apart from the members of the Board of Directors, Senior Managers and the Bank Secretary as Minutes keeper, the meetings shall be attended by other persons only upon invitation by the Board of Directors.
- (7) Regular participation of the Senior manager for Treasury and Finance and the Senior Manager for Operations in the Board of Directors meetings is in place, in order to fulfil its executive functions. In addition, the Division Manager of Sales and Branch Network Division and the Division Manager of Corporate Banking Division shall be invited whenever items relevant to these business lines are discussed.
- (8) The Senior Managers and the division managers referred to above have advisory role, i.e. do not have voting rights but give recommendations, advice, etc. during the Board of Directors meetings. They also have right to submit proposals related to their areas of operations that could be discussed and decided upon in the Board of Directors meetings.

4.2. Quorum and valid decisions

- (1) The Board of Directors can hold meetings and can pass valid decisions if the meeting is attended by all of its members. In case of absence of one of the members his consent shall be given by written statement or by phone voting, for which minutes shall be prepared.
- (2) Decisions passed at meetings shall be valid if all members of the Board of Directors voted in favor of the decision.
- (3) If decision is passed, it shall be signed by at least two members of the Board of Directors, out of which one is the Chief Executive Officer or an appropriately authorized person and the second signature is the responsible chief officer.

4.3. Minutes

- (1) For each meeting of the Board of Directors minutes shall be prepared by the Bank Secretary. The Minutes prepared in English language shall be approved by the Board of Directors on one of the following Board of the Directors meetings and subsequently signed by the Chairman of the Board of Directors along with the signature of the Minutes keeper.
- (2) On the basis of the Minutes, the Bank Secretary, when needed, shall prepare relevant decision to be signed by the appropriate members of the Board of Directors.
- (3) Each decision, regardless of whether it derives from Board of Directors meeting or from passing a decision between meetings, shall be signed by the relevant Senior Managers, Division Manager(s) and/or the Bank Secretary.
- (4) The member of the Board of Directors responsible for the area in question and the relevant Senior Manager shall implement the decision passed by the Board of Directors.

4.4. Communication with the Supervisory Board

- (1) The Chief Executive Officer / Chairman of the Board of Directors shall have regular, fair and transparent communication with the Supervisory Board Chairman and the other supervisory members.
- (2) The Board of Directors shall regularly notify the Supervisory Board of all activities and changes in operations that are significant, and at least for the following:
 - Changes in risk management,
 - Changes in the Bank's solvency and liquidity position and its financial standing,
 - Exceeding the exposure limits and non-compliance of the operations with the regulations,
 - Weaknesses in the internal control systems and the manner of functioning of the control functions,
 - Cases that may cause non-compliance with the legal or regulatory requirements, and
 - Cases related to the protected whistleblowing in the Bank.

V. Guidance and introduction of the new member of the Board of Directors to the managing operations of the Bank

- (1) After appointment of new member of the Board of Directors by the Supervisory Board and received appropriate consent for the appointment by the National Bank, the Chairman of the Board of Directors and/or Bank Secretary shall provide him/her with the necessary information and guidance in this Rules of Procedure and the affairs of the Bank.

- (2) New Board of Directors members shall be provided with information at least on the following matters:
- Statute of SB and overview of the relevant legislation;
 - Main strategic documents such as the Business Plan, the actual budget, etc.;
 - Main policies concerning retail, corporate and risk management function;
 - Main products and services;
 - Rules of procedure of the committees whereas the new member is participating;
 - Organizational Chart;
 - Reports from the Internal Audit Division;
 - Set of main documents related to latest amendments of the regulation as well as set of AML and CFT rules and procedures, including appropriate training for these areas;
 - And any other relevant document that the new Board of Directors member may deem as needed.

VI. Final provisions

- (1) With entering into force of these Rules of Procedure of the Board of Directors of Stopanska Banka AD – Skopje, the Rules of Procedure of operations of the Board of Directors of Stopanska Banka AD – Skopje S.B. No.1819 dated 07.07.2010 cease to be valid.
- (2) The Rules of Procedure of the Board of Directors of Stopanska Banka AD – Skopje shall enter into force on the date they are passed and shall be implemented as of 31.12.2018.

S.B. No. 04/2019
30.01.2019
Skopje

SUPERVISORY BOARD

Chairman,
Marinis Stratopoulos

Document Change History

Version	Prepared by	Approved by	Date of Approval	Description of amendments
1	Chairman's Office	Supervisory Board	June, 2010	
2	Chairman's Office	Supervisory Board	July, 2014	More detailed specification of the authorities of the Board of Directors and technical amendments
3	Chairman's Office	Supervisory Board	January, 2019	Alignment with the Central Bank' Decision on good corporate governance in banks. Substantially, new provisions are added related to the evaluation of the BoD candidates/members (part II, item 4) and the communication between the BoD and Sup Board (part IV, item 4.5). Other amendments are more technical, i.e. it specifies in more details the legal representation, the valid decisions, role of the Senior managers during the BoD meetings, etc..